

**CMP: INR 548**  
**Outlook : Positive**

**Stock Info**

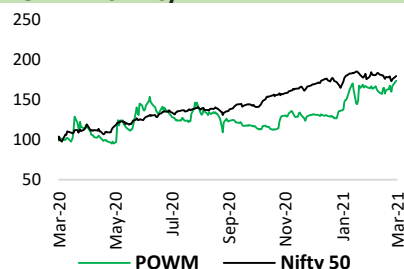
BSE	539302
NSE	POWERMECH
Bloomberg	POWM:IN
Reuters	POMP.BO
Sector	Engineering
Face Value (INR)	10
Equity Capital (INR cr)	15
Mkt Cap (INR cr)	853
52w H/L (INR)	576 / 310
Avg Yearly Volume (in 000')	69.05

**Shareholding Pattern %**

(As on December, 2020)

Promoters	63.11
FII	2.70
DII	9.81
Others	24.38

**POWM Vs Nifty**



**Peer Comparison TTM basis (Dec 20)**

INR in cr	Power Mech	LNT	KEC Intl.
Revenue	1723	132136	12425
EBITDA	31	22166	1157
EBITDAM (%)	1.8	16.8	9.3
PAT	-49	4292	551
PATM (%)	-2.8	3.2	4.4
EPS (Rs)	-33.9	81.8	21.4
PE(x)	NA	17.4	18.9
ROE(%)*	14.6%	16.9%	21.6%
D/E(x)*	0.5	2.1	0.9

Source: ACE Equity

\*as on FY20

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The Power Mech projects Ltd. is one among the leading infrastructure construction companies based in Hyderabad India and has been established in 1999 by first generation entrepreneur S Kishore babu. The company provides spectrum of services in power and infrastructure sector. At present company operates Pan-India with International operations spread across Middle East, North Africa, South Asia and Africa. The company has strong clientele with strong relationship with major OEM, EPC, and Utility & infra companies at both national & international level.

**Management Meet Highlights:**

- PowerMech has been gradually shifting from power to non-power business (45:50).
- They have entered into non power business in 2013 and made strategic foray into railways, rural electrification, water and other infrastructure segment.
- The company has been looking at electric transmission & distribution, petrochemical, hydro power and manufacturing sector as newer opportunity.
- The Company has strongly established its presence in the Middle East and Africa, undertaking ETC projects. In the last 2 years, the Company has also established its presence in the O&M space in the Middle East and North Africa.
- The company has been entering into the EPC business related to turnkey material handling contracts in Power, Minerals, Coal and other sectors.
- There has been substantial improvement across the segment on QoQ basis.
- In the water segment, Jal shakti orders can be big opportunity, where company has done tie up for qualification inspite of 100% execution.
- In NIP, huge opportunity for railway worth 8 lac crores in next few years. The company is looking for opportunity in modernization of railway stations, electrification, bullet train etc.
- Steady case EBIDTA margins to remain at 12-13 % despite recent hike in commodity prices. Most of the orders have price escalation clause as per management.
- The company has strong order book of INR 7353 crores. The company is confident of pick up in order book going forward.
- Working capital days likely to remain at Q3FY21 level.
- Most of the legacy orders are over and some payment can be stuck.
- Peak debt has come down from INR 590 crores to INR 530 crores. Cost of debt is at 10%

**Outlook :** We continue to remain positive on PowerMech and expect company to deliver healthy performance going forward. The company is confident of crossing FY20 revenues in FY22 & can do execution topline of INR 2600-2800 crores in FY22.

**Consolidated Financials**

INR in crs	FY20	9MFY21	FY21E	FY22E	FY23E
Revenue	2045	1129	1734	2470	2916
EBITDA	256	-35	33	271	330
EBITDAM (%)	12.1%	-3.1%	1.9%	11.0%	11.3%
PAT	111	-80	-46	133	182
PATM (%)	5.4%	-7.1%	-2.7%	5.4%	6.2%
EPS	75.2	-54.6	-31.6	90.3	123.9
PE(x)	7.3	NA	NA	6.1	4.4

Source: Arihant Research, Company Filings

E=Bloomberg estimates

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**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
Registration No.****Contact****Website****Email Id**

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